

# 2020 France Insurance Outlook

Trends and imperatives shaping  
the life and non-life markets



Building a better  
working world

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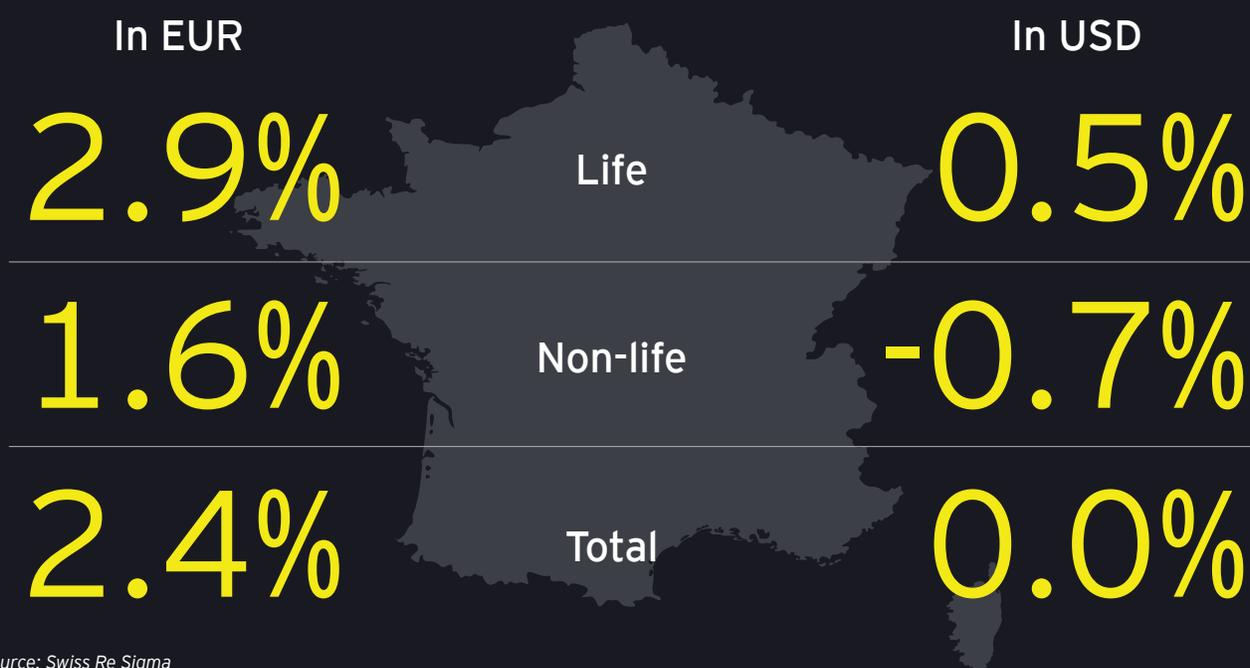
The French insurance market is facing deep changes in an increasingly complex and regulated environment. Digital transformation is impacting the entire sector, creating new business models, a new customer experience, and a necessary evolution of the industry. To satisfy the needs of increasingly demanding, informed, and connected customers, the quality of the relationship becomes an essential element of insurers' value propositions.

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On top of that, market competition is intensifying for property and liability insurers, as well as life insurers. The rise of new players such as bancassurers, InsurTechs, and potentially from GAFA tomorrow (Google, Apple, Facebook, and Amazon) contribute significantly to this phenomenon.

These various changes are taking place against a backdrop of increasing regulation (Solvency II, IFRS 9, IFRS 17, IDD, Hamon Law, GDPR, PRIIPS), which requires insurance companies to adapt quickly.

Compound annual growth rate, gross written premium,  
France, 2013–2018



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# Key trends

# Across the industry

## **Improving customer experience and knowledge**

In a market dominated by increasing competitive pressure, companies are looking for new ways to distinguish themselves from their competitors. Strong customer relationships are becoming a major competitive advantage, with many insurers aiming to increase client engagement.

The high standard for quality customer experiences has been reinforced and raised by the entry of other digital actors. Improving the customer experience requires simplifying and customizing offers, integrating and synchronizing distribution channels (both physical and digital), and offering great experiences in critical moments, especially when it comes to claims payment.

## **The creation of a start up ecosystem**

In recent years, start ups with disruptive models have been created in the finance and insurance sectors. These new actors, including FinTechs and InsurTechs, are challenging traditional finance and insurance markets.

Their economic model is based on exploiting opportunities offered by digital technology to identify unaddressed needs and create new markets responding to new customer habits and behaviors. Even if InsurTechs' impact is less profound in insurance than that of FinTechs in other financial services industries, several notable initiatives have taken place.

Thus, many insurance companies have created a start up ecosystem. They succeed by implementing incubators and accelerators to instill innovation within their organizations.

## **Process and blockchain automation**

Automating as many activities and tasks as possible, especially within the back office, remains a top priority for insurers seeking to reduce operational costs and increase operational efficiency. The introduction of robotic process automation (RPA) and bot solutions into both front- and back-office processes represents a great opportunity for insurers to increase efficiency and productivity. RPA and bots can now reproduce many human actions accurately and closely and save up to 30% of managers' time. Leaders can then focus on actions that add real value for clients.

Another technology of great interest and promise for insurers is blockchain. This distributed ledger technology allows for the transmission of transparent and secure information, making it possible to simplify certain management tasks, such as underwriting and claims management. It also makes it possible to reduce and secure transactions between insurers and policyholders throughout the value chain.

# Key trends

# Life



## Inflows increasing, euro products are under threat

Historically low interest rates represent a burden for life insurers' profit models. Euro-fund returns are reduced, inducing a business mix shift from euro to unit-linked products (which are less sensitive to interest rates).

Could this be the end of euro-fund products? Investors have already begun to favor unit-linked products due to insurers and bancassurance companies' aggressive commercial strategies while switching to other investments, including real estate, which take advantage of low interest rates.

However, net life insurance inflows increased in 2019. At the end of July 2019, the total assets under management (AuM) of life insurance contracts was estimated to be €1,754 billion.

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Growth in AuM, 2018–2019

**2.7%**

Source: EY analysis

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## A good dynamic for health and protection insurance

Beyond life insurance, health and protection insurance segments are on the rise. The market grew by 2.8% in 2018 to reach more than €60 billion in premiums. This growth is slightly stronger for group contracts carried by the ANI (national inter-professional agreement) even as individual contracts remain predominant in terms of premium volume.

More than 60% of companies had already chosen a health insurance coverage above the minimum guarantees negotiated by the branch. For employees benefiting from the ANI, additional guarantees have emerged on top of the contracts provided by employers.

## E-health development

Insurance players have very high expectations for e-health, especially coming from client companies. The e-health field includes services of varying nature and complexity, ranging from mobile applications to connected devices, remote diagnosis to online prevention.

Even if development costs and the economic model are widely mentioned as barriers to the development of e-health services, they represent an opportunity to rebalance the claims ratio for health insurers and to become a trusted partner for policyholders. Thus, the development of services to improve health-related risk management is a way for insurers to strengthen their relationship with policyholders. Almost always adopted, these projects generate trust and proximity with policyholders, who appreciate being able to benefit from assistance and advice in their care pathways.

## Key trends

# Non-life

### Increased penetration of bancassurers

With a turnover of €56.1 billion in 2018, the property and liability insurance market grew by 2.8%. The market is mainly composed of motor and property damage (personal, professional and agricultural) lines of business, which represent approximately 40% and 33% of premiums, respectively.

The market growth has occurred within a context of price pressure and ever-increasing competition. Bancassurers experienced double-digit growth rates in a market that remains dominated by mutuals and traditional insurers.

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Share of motor insurance in non-life market

**39.1%**

Share of property damage in non-life market

**33.2%**

*Source: French Insurance Federation*

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### Moving toward new usages and new non-life offers

To better meet customer demand, build customer loyalty, and take advantage of the opportunities offered by digital technology, insurance companies are stepping up their efforts in product innovation, largely in the non-life sector. To tackle the rise of connected devices, insurers are investing in this new niche and launching connected insurance solutions in three key areas: motor, home, and health.

The collaborative economy is also creating a promising ecosystem for new insurance solutions. The challenge for insurers is to experiment with new offerings to establish themselves in this developing market. Another opportunity is the development of on-demand affinity insurance to provide coverage for a limited duration, along with peer-to-peer insurance bringing policyholder communities together to form risk pools.

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# Imperatives for insurers

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Preparing for the future requires insurers to redesign their developmental strategies and operational models, while also managing regulatory impacts.

1

**Enhance and further leverage the value of data:** Data is a key asset, and the development of artificial intelligence (AI) reinforces its value. Proper collection and usage makes it possible to transform the way risk and pricing are modeled. It can also drive major changes in data mining and increase tenfold the areas where sophisticated algorithms can be applied, including customizing, forecasting, and detecting trends.

2

**Invest in human capital:** Technological evolutions, changes in consumer behavior, and new regulations are driving insurers to invest in human capital. It is indeed necessary to support existing employees and recruit new talent keen on digital working.

3

**Master the omnichannel experience:** A renewed and seamlessly integrated omnichannel customer experience is a must-have. Customers expect to switch in real time from one channel to another with a continuous, interactive, and guided path via chatbot or web callback, with other features, like electronic signature, available on all channels.

4

**Aim for operational excellence and cost optimization:** Deploying an optimized approach to operational excellence that improves performance while limiting operating costs is a must. Significant efficiency programs have been launched in the industry; mergers and acquisitions can also improve efficiency. The aim is to diversify, widen products or distribution coverage, pool resources, and achieve cost synergies.

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EYG no. 005361-19Gbl

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